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October 24, 2014

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Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
United States Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

Re: *STB Docket No. EP 724 - United States Rail Service Issues*

Dear Ms. Brown:

Attached for electronic filing in the above proceeding is Canadian Pacific's Response to the Board's order October 14, 2014.

Thank you for your courtesy and cooperation in this matter.

Very truly yours,

Charles W. Webster

Robert Johnson
Senior Vice-President
Operations Southern Region

120 South 6th Street
Minneapolis MN 55402
USA

October 24, 2014

The Honorable Daniel R. Elliot III
Chairman
United States Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

The Honorable Debra Miller, Vice Chairman
United States Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

The Honorable Ann D. Begeman, Commissioner
United States Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

Re: ***STB Docket No. EP 724***

Dear Chairman Elliott, Vice-Chairman Miller and Commissioner Begeman:

I am writing in response to the Board's Order dated October 14, 2014 requesting additional information concerning issues raised at the September 4, 2014 public hearing and our fall peak demand.

Before getting into the response to the directives outlined in the Order, I would like to provide an update on the overall progress made in the past two years in transforming CP. Since new management took the helm, we have made significant gains in productivity, efficiency, service, and financial stability. We have improved operating performance, reducing CP's operating ratio from a high of 81.3% in 2011 to 62.8% in Q3 2014, while improving operations at our terminals as well as the system overall.

We have redesigned our service offerings to better meet the needs of our customers, and to improve predictability and consistency. At the same time that we have reduced costs, we have reinvested billions of dollars in infrastructure to create a more robust and reliable system, and a more efficient operation. All of this has been achieved with an unwavering commitment to safety and to our customers. This remarkable transformation has enabled CP in 2014 to move record volumes, including grain, notwithstanding significant external challenges. The story does not end here.

Our focus on operational efficiency, velocity driven capacity, service, prudent capital investment and service innovation over the past two years has set the platform for shifting our focus to growth. We call this new phase, *"Moving More."* In taking CP to the next level we expect to:

- Reinvest record amounts of capital, between $1.3 billion to $1.5 billion USD,[1] per year in our network;
- Improve throughput and capacity;
- Improve productivity and lower our cost structure;
- Improve our service offering, reliability, and customer communications;
- Accelerate growth; and

[1] Unless specified otherwise, all funds referenced herein are USD.

- Improve on CP's industry leading safety performance.

We are proud of what we have achieved so far, but we are not satisfied. For example, while we have brought our 2011 Federal Railroad Administration (FRA) Train Accident Frequency rate of 2.81 down to 1.11 (year to date), and have lowered our 2011 FRA Personal Injury Frequency rate from 2.75 to 1.94 (year to date), we believe that all accidents/incidents are preventable. Similarly, we recognize that there are areas where we can and must do better for our customers, better service and better communication, and we are committed to doing so.

Our operating plan is developed and refined each month by reviewing demand forecasts, modeling the expected demand ("flowing" the forecasted traffic on the network) and adjusting the plan as required so that necessary train capacity is in place to accommodate demand.

The annual demand forecast is developed using a number of inputs including information from our customers, internal commercial expertise and intelligence, as well as insights gleaned from various economic indicators. CP also models trends over the longer term. This information is used to calculate the number of trains that will be required to accommodate expected demand. Once train counts are determined we then model the number of crews and locomotives required to run the trains.

Car fleet sizes are also established on the basis of forward looking demand; incorporating estimated cycle time with the forecast provides the fleet size needed to meet that target. CP's current peak seasonal demand forecast has been modeled and the volumes estimated against the current train, locomotive and crew capacity available.

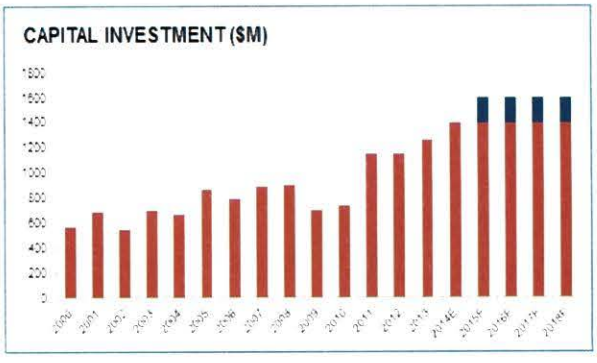
Looking forward over the Fall period in the United States, CP does not anticipate a sharp seasonal peak in grain/agricultural products, industrial products, fertilizer, intermodal, merchandise or ethanol, but does expect growth in these commodities for the full year consistent with current trends. A slowly strengthening US economy is expected to translate into stronger consumer spending, higher automobile sales and increased industrial products demand, and CP is expecting increased volumes (consistent with current trends) from its merchandise and intermodal customers. We do anticipate strong grain car loadings in the latter part of the year subject to continued demand.

Based on our demand forecasting and operational planning, we are well prepared to accommodate the expected increases in traffic volumes and peaks that may occur this Fall. Additionally, we are better positioned to respond to unexpected surges in temporary volumes caused by challenges related to other carriers, non-rail components in the supply chain, and weather. And, we continue to be actively engaged with our customers and our rail interchange partners in an effort to minimize or avoid such challenges.

As to the specific information requested:

1. **SHORT-TERM AND LONG-TERM STEPS CP IS TAKING, OR WILL TAKE TO HANDLE INCREASED DEMAND ON ITS U.S. NETWORK**

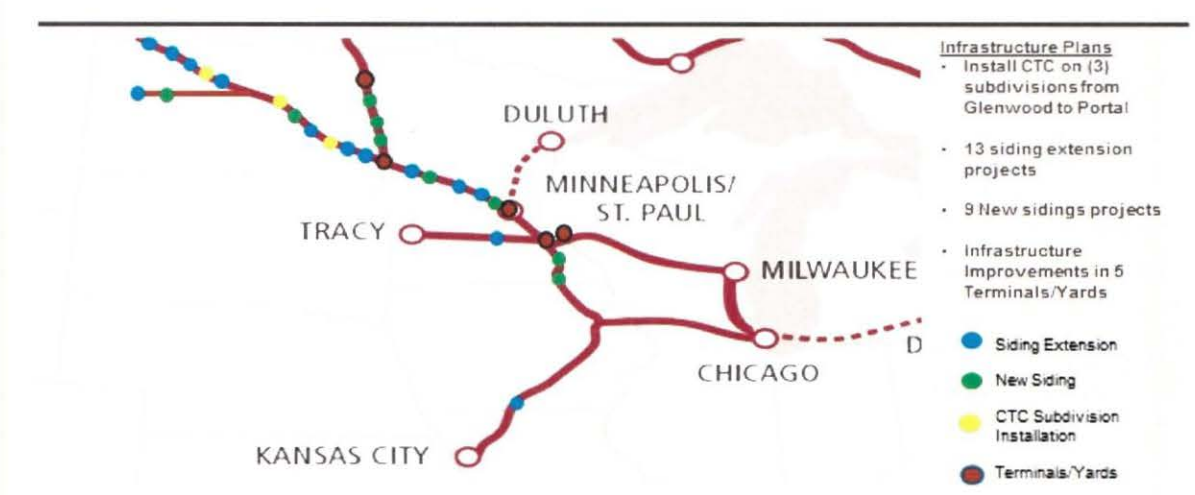
CP total network capital network investment in 2014 is estimated to be between $1.2 and $1.3 billion (roughly equivalent to $1.3-$1.4 billion CAD), nearly 20% of our revenues. Going forward we



expect to spend $1.3 to $1.5 billion (roughly equivalent to $1.4-$1.6 billion CAD) annually.

Track and Infrastructure Projects - Upper Plains States and Illinois

Between 2014 and 2016 CP plans to invest more than $650 million in the Upper Plains States (North Dakota, South Dakota, Minnesota, Iowa, and Wisconsin) as well as Illinois, including approximately $400 million specifically directed to infrastructure expansion and improvements. To increase capacity and system velocity, CP plans to invest in new sidings, siding extensions, and in further implementing Centralized Traffic Control (CTC) as shown on the chart below. CTC implementation will allow CP to improve both system velocity and safety.



	Capacity Enhancing Projects
2014	• (4) Siding Extensions - Portal Sub (1), Paynesville Sub (3) • No New Sidings • Terminals/Yards (1) - St Paul Terminal • CTC (1 Subdivision) – Elbow Lake Sub
2015	• (5) Siding Extensions - Portal yard (1), Carrington Sub (1), Elbow Lake Sub (2), Newtown Sub (1) • (7) New Sidings - Paynesville Sub (1), Detroit Lakes Sub (2), Marquette Sub (2), Newtown Sub (1), Carrington Sub (1) • (3) Terminals/Yards – St Paul terminal con't, River Jct, Lacrosse • CTC (1 Subdivision) – Carrington Sub
2016	• (4) Siding Extensions – Laredo Sub (1), Tracy Sub (1), Portal Sub (2) • (2) New Sidings – Paynesville Sub (1), Detroit Lakes Sub (1) • (3) Terminals/Yards – St Paul Con't, Glenwood, Thief River Falls • CTC (1 Subdivision) – Portal Sub

Earlier this year, CP completed a multimillion dollar project at St. Paul, Minnesota which enables us to re-route our westbound traffic and take pressure off our railroad as well as BNSF at this important terminal. We are currently working with BNSF to do the same with respect to our eastbound traffic at St. Paul. By the end of 2014, we expect to complete four siding extensions between 11,080 and 13,850 feet in length at the following locations: South Haven, Murray, and Loretto (Paynesville Subdivision, MN); and Minot (Portal Subdivision, ND). CP is currently installing CTC between Portal, ND and St. Paul, MN. Full implementation of CTC on this line is expected to be completed in 2016. Further, in 2014, CP has now completed installation of CTC between Emrick and Drake, ND, and will complete CTC between Glenwood and BN Junction, ND by the end of the year.

In 2015, CP plans to install new sidings, siding extensions and yard extensions at the following locations: Plymouth (Paynesville Subdivision, ND); Callaway and Carlos (Detroit Lakes Subdivision, MN); Brownville and Harpers Ferry (Marquette Subdivision, IA). CP plans to extend the following sidings:

Valley City (Carrington Subdivision, MN); Hoffman and Oswald (Elbow Lake Subdivision, ND). Further, CP is investing in yard reconfiguration to increase capacity at St. Paul, River Junction, and Portal and to implement CTC between BN Junction and Orchid (MP 178.8 to 240) and Eagle to Emrick (MP 274 to 374).

In 2016, CP plans further new sidings, siding extensions and yard extensions. CP anticipates constructing new sidings at Watkins (Paynesville Subdivision, ND) and Brooks (Detroit Lakes Subdivision, MN), and siding extensions at Seymour (Laredo Subdivision, IA); Judson (Tracy Subdivision, MN); Voltaire and Baden (Portal Subdivision, ND). In addition, CP intends to reconfigure the yards at Glenwood, Thief River Falls, St. Paul, Lacrosse, and make an additional investment at the Chicago Terminal through the CREATE program. CP will also complete the implementation of CTC from St. Paul to Portal with the installation from Drake to Portal (MP 420 to 547.5).

Our capital investment will improve the fluidity, capacity, resiliency, and safety of our railroad that provides our customers with efficient connections across North American and for export.

It is important to note that the above elements are CP's current plans and individual projects are subject to change going forward.

2. EMPLOYMENT AND HIRING

a. Headcount Reduction and Hiring Plan for Midwest Transportation Service Employees

Since new management took the helm in July 2012, system-wide employee and contractor headcount has been reduced by 4,615 positions. Of that number, 981 positions were located in the United States. These reductions have consisted of both planned reductions and reductions through attrition. None of the planned US headcount reductions involved train and engine employees.

CP has recently experienced a higher than normal attrition rate in train and engine employees in the Upper Midwest, in particular in North Dakota. As a result, CP developed a plan to hire and train additional train and engine personnel as well as other transportation service employees. The following chart shows CP's 2014 hiring plan by job classification, and State for these positions:

CAT	CATEGORY NAME	IOWA		ILLINOIS		INDIANA	MINNESOTA		MISSOURI	NORTH DAKOTA		WISCONSIN		TOTALS
		YTD	Q4	YTD	Q4	YTD*	YTD	Q4	YTD*	YTD	Q4	YTD	Q4	
617	ROAD FREIGHT ENGINEERS (THROUGH FREIGHT)	2	5	20										27
609	ROAD FREIGHT CONDUCTORS (LOCAL AND WAY F	46	26	9		1	20	15	4	49		10		180
608	ROAD FREIGHT CONDUCTORS (THROUGH FREIGHT	10				4	25	16	16	108	5	31		215
416	SKILLED TRADES, HELPERS, MAINTENANCE OF						1	1			1			3
414	MACHINISTS						2	1			1	1		5
409	CARMEN (FREIGHT)			4	10		8	10						32
318	ASSISTANT SIGNALMEN AND ASSISTANT SIGNAL				1		5	1		3	4	1		15
317	LINEMEN AND GROUNDMEN AND COMMUNICATIONS	1					1			2	2			6
316	SIGNALMEN AND SIGNAL MAINTAINERS		3		1		1	1		5		1	4	16
313	SECTION LABORERS									1		1		2
312	EXTRA GANG LABORERS						8			5		8		21
302	MAINTENANCE OF WAY, STRUCTURES, COMMUNIC		2				1							3
215	GENERAL AND OTHER CLERKS (EXCLUDING YARD						3							3
209	POLICE OFFICERS, WATCHMEN & GUARDS		1		1									2
202	SUBPROFESSIONALS						1	5						6
201	PROFESSIONALS (OTHER THAN THOSE REPORTED			1			26							27
200	PROFESSIONAL AND ADMINISTRATIVE	1					7							8
104	TRANSPORTATION OFFICERS/MANAGERS			4	1	1	8	4	2	1		2	1	24
103	REGIONAL AND DIVISION OFFICERS, ASSISTAN			1										1
102	CORPORATE STAFF MANAGERS						3							3
		60	37	39	14	6	120	54	22	174	13	55	5	599

* No plans currently for increase in hiring Q4

Of the total of 599 planned new hires, 422 are specifically train and engine employees.

Our progress to date in meeting this plan has been good. The following chart shows the number of new transportation hires in 2014, year to date, by job classification, and State:

b. 2014 Actual New Transportation Hires Based in Upper Plains States and Illinois

CAT	CATEGORY NAME	IOWA	ILLINOIS	INDIANA	MINNESOTA	MISSOURI	NORTH DAKOTA	WISCONSIN	TOTALS
617	ROAD FREIGHT ENGINEERS (THROUGH FREIGHT)	2	20						22
609	ROAD FREIGHT CONDUCTORS (LOCAL AND WAY F	46	9	1	20	4	49	10	139
608	ROAD FREIGHT CONDUCTORS (THROUGH FREIGHT	10		4	25	16	108	31	194
416	SKILLED TRADES, HELPERS, MAINTENANCE OF				1				1
414	MACHINISTS				2			1	3
409	CARMEN (FREIGHT)		4		8				12
318	ASSISTANT SIGNALMEN AND ASSISTANT SIGNAL				5		3	1	9
317	LINEMEN AND GROUNDMEN AND COMMUNICATIONS	1			1		2		4
316	SIGNALMEN AND SIGNAL MAINTAINERS				1		5	1	7
313	SECTION LABORERS						1	1	2
312	EXTRA GANG LABORERS				8		5	8	21
302	MAINTENANCE OF WAY, STRUCTURES, COMMUNIC				1				1
215	GENERAL AND OTHER CLERKS (EXCLUDING YARD				3				3
202	SUBPROFESSIONALS				1				1
201	PROFESSIONALS (OTHER THAN THOSE REPORTED		1		26				27
200	PROFESSIONAL AND ADMINISTRATIVE	1			7				8
104	TRANSPORTATION OFFICERS/MANAGERS		4	1	8	2	1	2	18
103	REGIONAL AND DIVISION OFFICERS, ASSISTAN		1						1
102	CORPORATE STAFF MANAGERS				3				3
		60	39	6	120	22	174	55	476

Of the 476 year to date new hires shown above, 355 are train engine employees based in Iowa, Illinois, Indiana, Minnesota, Missouri, North Dakota, and Wisconsin. This will offset the 337 US train and engine employees who have left CP in 2014 for various reasons. At present, CP is holding training classes for new conductors at terminals throughout the Upper Midwest, e.g., Harvey, North Dakota, Enderlin, North Dakota, Marquette, Iowa. To meet the challenge of the extremely competitive labor market in North Dakota, CP is offering several incentives to attract and retain employees, including signing bonuses, housing with the first six months free of charge for new hires. These incentives are additional to competitive wages and benefits.

c. Trains Held for Four Hours or Longer

The data set forth below show the number of trains held for four hours or longer on the US Network, including the Delaware & Hudson, for 2013 and 2014 to date.

Number of trains held for crews > 4 hours

Year	Month	#
2013	Jan	
	Feb	
	Mar	
	Apr	
	May	
	Jun	1
	Jul	1
	Aug	4
	Sep	5
	Oct	19
	Nov	29
	Dec	16
	2013 Total	**75**
2014	Jan	248
	Feb	224
	Mar	279
	Apr	150
	May	154
	Jun	254
	Jul	395
	Aug	346
	Sep	233
	Oct	25
	2014 Total	**2308**

Reasons for Trains Held
Terminal Congestion
Lane Congestion
Congestion at Chicago
Congestion at St. Paul
Crew Availability
Service Interruption
Refusal of Interchange
Engineering Windows

To put the 2308 train held total in context, CP has had 46,184 train starts year to date (to October 21) in the US. In our opinion, the spike in trains held beginning in January reflects the difficulty of getting into the BRC, congestion on parts of our railroad, congestion on the network as a whole, higher than normal attrition of train and engine employees, and increased demand for rail service, all of which was compounded by track work. The data also show a significant improvement in trains held beginning in October. We expect this reduction to hold as we continue our hiring program, outlined above, and as we reduce congestion by working with BNSF at Minneapolis/St. Paul, and with the other Class I's and the Belt Railway of Chicago at Chicago.

d. Equipment

CP has adequate locomotive power to meet the fall peak and is able to obtain additional locomotives if needed. We have recalled from lease 35 six-axle road locomotives, and have the ability to recall an additional 60 locomotives. These locomotives may be used in both Canada and the US as needed. We have also overhauled and put back into yard service approximately 11 GP-20 units in the US. With these additions, locomotive power is sufficient to meet forecasted demand in the short term. Over the medium term (next 4 years) we have plans to retrofit or bring online an additional 240 locomotives system wide. This will further improve locomotive reliability.

In addition, we note that since the end of 2011 to now (Q3 2014) locomotive productivity (as measured by daily average GTM/active HP) has increased by over 31% system-wide. This improvement is due in large part to the fact that the locomotives removed from service have been largely low horsepower units and units that were unreliable.

Given ongoing system improvements, in particular as it relates to velocity, we believe that our existing car fleet is sufficient to meet current demand. Accordingly, CP does not have any immediate plans to acquire additional cars. In some lines of business, crude oil for example, we anticipate customers will supply additional rolling stock. We also continue to be an active participant in TTX which allows us to supplement our fleet if necessary. Over the medium to longer term we will acquire new equipment in a manner aligned with overall demand.

3. CHICAGO

CP interchanges with each Class I railroad every day at Chicago (with the exception of KCS which does not have track in the Chicago Terminal). Normally this interchange occurs at the Belt Railway of Chicago (BRC) and the Indiana Harbor Belt Railroad (IHB). Operational plans, crew base, and locomotive availability are planned for on this basis. CP is committed to doing its part to keep BRC fluid for the benefit of our railroad and the industry. As a result of this commitment, since April of this year our average pulling performance from BRC has been 83.25%, with a peak of 88.4%.[2] We are proud of this best in class performance, but recognize that we can do better. It is critical that all railroads pull on time from BRC every day.

With respect to coordination, our operations personnel have a conference call every day with each Class I railroad regarding interchange at the Chicago Terminal. On these calls specific train counts are discussed, problems are raised, and solutions worked out. We exchange operational data every day with each of the other Class I's regarding Chicago as well. Importantly, CP has agreed to be bound by the Alert Levels established for Chicago, including the actions and countermeasures based on those Alert Levels.

CP left the Chicago Transportation Coordination Office (CTCO) because that office was not effective. CTCO's metrics were inadequate, and the action items and countermeasures to congestion problems were discretionary, not mandatory. CP remained involved in rail coordination at Chicago however. In fact, the undersigned had an active hand in reworking the metrics, responses, and countermeasures for the Chicago Alert Levels with senior transportation officers of the other Class I's. We believe there is now a commitment to meaningful metrics, action items that will have a positive impact, and binding countermeasures. CP no longer has an employee sitting at the CTCO Office, and based on the foregoing does not believe it needs one.

Regarding weather, CP prepares for winter every year and has developed an appropriate action plan. This plan includes operational changes in extreme weather (e.g., shortening train length; deadheading crews on locomotives rather than by taxi transport on icy roads); maintaining sufficient equipment (switch heaters, snow plows), and reallocating our human resources (deployment of engineering personnel around the clock when appropriate) to meet the challenges.

[2] Pulling performance of each Class I railroad that interchanges at BRC is measured by the number of trains pulled from the bowl within two hours of their scheduled departure time.

Winter creates challenges, but the critical issue this winter will be the same as last in our view—fluidity and production at Chicago and in particular at BRC. CP's system relies on interchange with the other Class I railroads at Chicago. If inventories at BRC are high, it triggers an Alert Level response that we send fewer trains to the BRC. These trains must be switched elsewhere. Some trains are held out of the Terminal. Other trains are broken up and re-made for out-of-route direct interchange with other carriers. All of this results in train crews and locomotives not being where they should be. This delay has a negative effect on dwell and system velocity. CP believes that approximately 30% of its system velocity in the US is dependent on fluidity at Chicago, and in part on St. Paul.

We are aware of the new data reporting requirements set forth in the Board's order of October 8, 2014 in Docket No. EP 724-3. Given the importance of fluidity at Chicago, we ask that the Board consider, in an appropriate proceeding, requiring both BRC and IHB to report data to the Board on appropriate metrics in a manner similar to the Class I's. To understand the health of the Chicago Terminal, the Board should understand the health of IHB and BRC as well as the Class I's. Helpful operating metrics for BRC should include the following: number of cars arrived per day, number of cars humped per day, number of cars re-humped per day, number of cars pulled per day, number of cars departed each day, terminal dwell, departure yard dwell.

We believe that BRC is not producing to its potential and that with its current infrastructure it can safely and efficiently process more cars than at present. To do so, it is imperative that every Class I pull its cars on time every day.

4. CP'S ABILITY TO MEET PEAK SEASON DEMAND FOR GRAIN, AUTOMOBILES, FERTILIZER, AND INTERMODAL

CP is currently moving traffic volumes across our US network consistent with overall economic growth. We anticipate a fall 2014 cyclical peak that is consistent with those of recent years.

Turning to individual lines of business, grain and agricultural products are trending slightly higher this year than last year. The US crop in North Dakota (ND) and Minnesota (MN) will be up year over year but is in line with the multiyear trend production growth of roughly 2% per year due largely to yield increases. Based on our typical market share of production at about 23% in ND and about 8% in MN, CP believes that its current fleet of 8,700 covered hopper cars should be fully capable of handling this year's harvest; however, It's important to note that the entire grain supply chain must function efficiently in order for CP to continue our recent strong performance.

Since the new crop year on July 31, CP has moved 16% more bulk grain than last year. Recently though, as harvest has hit full swing, we have seen delays with cars dwelling at Eastern mills and on connecting carriers for multiple days. Whether it's cycles on connecting carriers or efficient unloading at receivers, car supply at origin is dependent on a fluid and efficient end to end supply chain.

We should note that the grain demand for rail service can be erratic and unpredictable. Grain follows price. As a result, we have seen significant market shifts in grain over the years with numerous market drivers impacting the desire to ship to specific markets. In light of this, CP monitors grain markets closely in an effort to anticipate such market shifts. At the same time, it is important to appreciate that there are reasonable limits on CP's ability to prepare for and accommodate such market shifts. As the grain harvest progresses, the CP team is in regular contact with our shippers, receivers and connecting carrier partners to ensure that supply chain expectations are clearly understood.

As we have previously informed the Board, CP has worked directly with grain customers to develop a new service offering which, we believe, delivers better reliability, transparency and accountability. Our new service provides trainload customers with unit train ownership, improving control and visibility to car supply. Smaller grain customers are not left out, but rather receive greater visibility and certainty to their needs. This in turn improves the alignment between the marketplace, sales, and railway service expectations. Our customers have indicated strong support for this model, and the early results have been very encouraging. Cycle times for our dedicated train product have exceeded estimates by over 15% despite supply chain challenges. CP's new service offering is moving more grain, more efficiently.

Fertilizer traffic, including potash, is expected to increase during a relatively short application season and contribute only slightly to the fall peak. Fertilizer moves in shipper owned cars. Cross border fertilizers and potash shipments are reliant on effective plan execution from mine, plant production and local service to fleet, train and interchange service. CP is working with supply chain partners and taking steps to improve processes and service across this line of business.

CP's US coal volumes are relatively small. These volumes typically consist of Powder River Basin coal that we receive from BNSF or UP on interchange and transport a short distance to various Midwest utilities. We are working on agreements with our coal customers to re-route their traffic and avoid less efficient gateways such as St. Paul, thereby freeing capacity. We expect coal volumes our railroad to be comparatively stable through the remainder of 2014.

For the intermodal business, CP has experienced market share gains on the improved domestic service between US and Canada in 2014. CP also experienced a modest seasonal increase in international US-destined traffic through the Port of Metro Vancouver due to precautionary shifts of business away from US ports. The ultimate scale of that shift is uncertain and dependent on the outcome of negotiations with the longshoremen's union.

We are actively working with both our intermodal customers and our supply chain service partners, including ports and other railways, to plan for anticipated traffic volumes. Overall, our intermodal service has earned high marks for customer service. We expect to continue to provide strong service this winter by, among other things, increasing our focus on ensuring the links with other providers in the supply chain are as seamless as possible.

We do not expect any seasonal upticks in merchandise traffic. For automotive, we anticipate that line of business to follow typical seasonal patterns and grow slightly when compared to the July to September period but be down when compared to the fourth quarter of last year. Our cycle times in our automotive fleet are improving year to date and we expect that trend to continue this year. As we are doing with other customers, we are working on routings for automotive traffic to bypass the Chicago Terminal.

The propane market has undergone a significant restructuring. Earlier this year, the largest single source of propane into Minnesota and North Dakota was lost with the reversal of the Cochin Pipeline. In light of the Cochin Pipeline reversal, CP anticipates that it will move increased volumes of propane going forward. To prepare for this increased demand for rail service, CP is:

- Working with Individual customers to prepare locally and to facilitate forecasted inbound product
- Collaborating with the BNSF on inbound volumes into the Benson, MN terminal including the optimizing of routing options;

- Working with our customers to identify opportunities to improve our service and maximize efficiencies, e.g., developing customer supply strategies that will lead to improved loading patterns, faster cycle times and well managed propane railcar fleets; and
- Meeting with all major supply companies to identify opportunities to optimize asset use.

5. COMMUNICATING WITH OUR CUSTOMERS

We are committed to improving customer communication. As this harvest has begun, our sales team has been in close contact with each of our less than train load grain elevators and shippers to make sure that their rail service needs are not overlooked.

Canadian Pacific also utilizes a number of other tools to facilitate direct communication with our customers and provide access to up-to-date shipment and network information. These tools include:

- Availability of shipment based information, carload and intermodal tools, as well as bulletins and messages on our website (cpr.ca –Customer Station);
- The ability to reach CP representatives at our Network Service Center anytime via a toll-free telephone (1-888-333-8111), email, or online messaging using CP's 'log an issue' feature;
- Direct access to appropriate operational contacts closest to their location and/or shipment concern to discuss local service needs or specific requests;
- Cooperation between Operations and Network Service Centre to provide visibility to network incidents, service recovery and order/shipment updates;
- Review of urgent shipments on a daily basis;
- Communication back to the customer on revised shipment plans; and
- Monitoring of urgent shipments until arrival at final destination locations.

6. COORDINATING WITH RAPID CITY, PIERRE & EASTERN RAILROAD, INC.

Late last year CP sold the western portion of the Dakota, Minnesota and Eastern Railroad to Genesee & Wyoming, Inc. The sale became final and control changed on June 1, 2014. The new railroad, the Rapid City, Pierre & Eastern Railroad (RCP&E), interchanges with BNSF, Canadian Pacific, and the Nebraska Northwestern Railroad. CP has worked closely with the RCP&E to ensure smooth and fluid operations with the RCP&E, learning from and adapting to challenges in the early stages of the transition. Efforts have involved both the supply of resources and ongoing improvements of train operations and communication:

- CP met its commitments to supplement the RCP&E's grain car fleet with between 300-400 empty cars per week from June 1, through mid-August, averaging 354 cars during this period. As RCP&E's own fleet has grown closer to target levels, weekly car requests through CP's order system have been reduced. For instance, since mid-September through last week, RCP&E has dropped their requests to a standing 175 cars per week, (over which period CP has provided an average of 194 cars). CP will continue to supplement grain cars, as required to support RCP&E.
- Regarding locomotives, CP has provided incremental power to ensure RCP&E is in a position to run "extra trains" required to move peak demand. As of the end of September, CP had provided the

RCP&E a net 28.5 million "Horse-Power-Hours," (the equivalent of 13 SD40 locomotives for one month) to support these efforts. As the RCP&E has brought on additional locomotives (13 more units were leased from CP effective September 1, 2014, bringing the total to 63 locomotives), their reliance on CP locomotives has been reduced. RCP&E and CP continue to discuss power requirements daily, and at this moment, the mutual target has been set at +5 locomotives, (meaning that at any given time 5 more RCP&E locomotives should be on CPR, than vice versa).

- From a crew perspective, CP has and will continue to deploy management crews to supplement our existing crew base when required during periods of high demand.
- In terms of train operations, CP continues to prioritize and improve the run time, power and blocking compliance performance of the anchor CP-RCP&E train pairing of 470/ 471, which runs from Tracy, MN to Bensenville, IL.
- CP and RCP&E review operations and discuss opportunities for improvement daily, scorecard results and are planning the second Operations Review with senior management from both railroads in early November.

Sincerely,

Robert A. Johnson
Senior Vice President of Operations

VERIFICATION

The Board has directed that CP's Response to the October 14, 2014 order be verified. We do not believe that such a directive is warranted, required or appropriate for a response to questions largely focused on the future. Nevertheless, I do verify that I believe that the statements of fact contained in the foregoing response are true. Our response also states our currently held opinions regarding future demand for rail service and our plans to address that demand. I verify that these are our currently held opinions and plans, but note that they are just that, opinions and plans.

Robert A. Johnson
Senior Vice President of Operations